

Message Text

UNCLASSIFIED

PAGE 01 PORT M 00217 01 OF 02 160710Z

20

ACTION EA-09

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-02 PRS-01 SP-02 SS-15 USIA-15

AID-05 COME-00 EB-07 FRB-01 TRSE-00 XMB-04 OPIC-06

CIEP-02 LAB-04 SIL-01 OMB-01 AGR-10 /107 W

----- 026025

R 150509Z MAR 76

FM AMEMBASSY PORT MORESBY

TO SECSTATE WASHDC 1270

INFO AMEMBASSY CANBERRA

AMEMBASSY JAKARTA

AMEMBASSY MANILA

AMEMBASSY SUVA

HICOMTERPACIS SAIPAN MARIANAS ISLANDS

AMEMBASSY WELLINGTON

CINCPAC HONOLULU HI

UNCLAS SECTION 1 OF 2 PORT MORESBY 0217

CINCPAC FOR POLAD

1. SUMMARY: THE PRIME MINISTERS FRASER AND SOMARE ANNOUNCED IN CANBERRA MARCH 4, 1976 IN A JOINT STATEMENT AN AGREEMENT ON THE PART OF THE GOVERNMENT OF AUSTRALIA TO PROVIDE A MINIMUM OF A\$930 MILLION (US\$1158) DURING THE NEXT FIVE YEARS. THIS EXCLUDES PAYMENTS FOR SPECIAL TRANSITIONAL ARRANGEMENTS, DEFENSE AND THE CONTROVERSIAL ESS PAYMENTS (FOR EXPATRIATE RETIRING EMPLOYEES PREVIOUSLY CITED BY THE LABOR GOVERNMENT AS A PART OF THE TOTAL AUSTRALIAN AID PACKAGE) WHICH AMOUNTS TO AN ESTIMATED K49 MILLION (US\$61) THIS YEAR. THE ANNOUNCEMENT IS A SHOT IN THE ARM TO THE SOMARE GOVERNMENT AND RELIEVES MOUNTING ANXIETY OF PNG OFFICIALS FACED WITH TIGHTENING ECONOMIC CONDITIONS. SOMARE IN SUBSEQUENT STATEMENTS HAS STRESSED THAT PNG MUST VIEW THIS NEW AID PACKAGE AS THE LAST ONE PNG NEGOTIATES SINCE RELIANCE ON AUSTRALIA FOR ANOTHER DECADE "WOULD NOT BE WISE." END SUMMARY.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 PORT M 00217 01 OF 02 160710Z

2. THE JOINT ANNOUNCEMENT BY PRIME MINISTER FRASER OF AUSTRALIA AND PRIME MINISTER SOMARE OF PNG OF A NEW FIVE YEAR AID PACKAGE WORTH A MINIMUM A\$930 MILLION CAME, ACCORDING TO SOMARE, "AS A BIG SUPRISE." IT WAS A PLEASANT SUPRISE TO MANY OTHERS IN PNG AS WELL AND GOES FAR TOWARD ALLEVIATING THE FINANCIAL PROBLEMS CONFRONTING THE COUNTRY WHILE AT THE SAME TIME ENCOURAGING CLOSER COOPERATION BETWEEN THE TWO GOVERNMENTS.

3. THE TWO PRIME MINISTERS IN THEIR STATEMENT NOTED THAT A NEW AID RELATIONSHIP WAS REQUIRED TO PROPERLY REFLECT PNG'S INDEPENDENT STATUS. THEY AGREED THAT THE OBJECTIVES OF THE NEW RELATIONSHIP WOULD BE TO FACILITATE AND PROMOTE ECONOMIC AND SOCIAL DEVELOPMENT FOR THE PEOPLE OF PNG, ENCOURAGE SELF-RELIANCE, AND ENABLE THE GPNG TO PLAN DEVELOPMENT ON THE BASIS OF RESOURCES AVAILABLE TO IT, INCLUDING THOSE TO BE PROVIDED BY AUSTRALIA OVER A REASONABLY LONG PERIOD OF TIME. THE NEW AGREEMENT SUPERCEDES A PREVIOUS LABOR GOVERNMENT AGREEMENT GIVING PNG A\$500 MILLION OVER THREE YEARS, WITH THAT AGREEMENT HAVING ANOTHER YEAR TO RUN. IN THE EARLIER AGREEMENT, PNG WAS REQUIRED TO SPEND CERTAIN AMOUNTS ON AGRICULTURE AND EDUCATION, BUT THE LIBERAL COUNTRY PARTY GOVERNMENT HAS ENDED THIS.

4. ADDITIONAL PAYMENTS NOT INCLUDED IN THE A\$930 MILLION AID PACKAGE INCLUDE: THE AUSTRALIAN CONTRIBUTION TO THE WABO HYDRO-ELECTRIC FEASIBILITY STUDY, THE AUSTRALIAN INDEPENDENCE GIFT TO PNG, PAYMENTS RELATING TO WAR PENSIONS AND CEMETARIES, PAYMENTS UNDER THE EMPLOYMENT SECURITY SCHEME, AND EXPENDITURES BY THE AUSTRALIAN GOVERNMENT ON THE COMPLETION OF THE CURRENT AID PROJECTS FOR AIRPORT CONSTRUCTION WORKS AT PORT MORESBY AND NADZAB (LAE). FURTHER PAYMENTS INCLUDE THE AUSTRALIA-PNG TRAINING AND EDUCATION SCHEME (K1.2 MILLION IN 1976-77, US\$1.5) AND PAYMENTS UNDER THE EMPLOYMENT SECURITY SCHEME FOR RETIRING EXPATRIATE EMPLOYEES ESTIMATED AT K49 MILLION THIS YEAR, K37 (US\$46) MILLION NEXT YEAR AND K21 MILLION (US\$26) IN 1977-78.

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 PORT M 00217 02 OF 02 160718Z

20

ACTION EA-09

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-02 PRS-01 SP-02 SS-15 USIA-15

AID-05 COME-00 EB-07 FRB-01 TRSE-00 XMB-04 OPIC-06

CIEP-02 LAB-04 SIL-01 OMB-01 AGR-10 /107 W

----- 026084

R 150509Z MAR 76

FM AMEMBASSY PORT MORESBY

TO SECSTATE WASHDC 1271

INFO AMEMBASSY CANBERRA

AMEMBASSY JAKARTA

AMEMBASSY MANILA

AMEMBASSY SUVA

HICOMTERPACIS SAIPAN MARIANAS ISLANDS

CINCPAC HONOLULU HI

UNCLAS SECTION 2 OF 2 PORT MORESBY 0217

5. MR. FRASER SAID AUSTRALIA WOULD NOW PROVIDE A MINIMUM OF K180 MILLION (US\$224) IN SOCIAL AND ECONOMIC AID FOR EACH OF THE FIVE YEARS BEGINNING ON JULY 1, 1976, AND WILL CONSIDER FURTHER ANNUAL SUPPLEMENTS IN THE LIGHT OF CIRCUMSTANCES. HE PROMISED THAT IN DETERMINING THE ALLOCATION OF AID FUNDS, AUSTRALIA WOULD CONTINUE TO GIVE PNG HIGHEST PRIORITY AND THE COUNTRY WOULD CONTINUE TO HAVE "FIRST CALL." MR. FRASZR ADDED THAT ANNUAL SUPPLEMENTS ABOVE THE BASE FIGURE WOULD BE K10 MILLION (US\$12.5) IN 1976-77, AND K20 MILLION (US\$25) IN 1977-78, BRINGING AID ON THIS BASIS IN THOSE TWO YEARS TO K190 (US\$236.6) MILLION AND K200 MILLION (US\$249) RESPECTIVELY.

6. FRASER SAID AUSTRALIAN ASSISTANCE TO PNG IN 1976-77 FOR ECONOMIC AND SOCIAL PURPOSES WOULD NOW EXCEED K195 MILLION (US\$242.8) AN INCREASE OF K33 MILLION (US\$41) ON THE AMOUNT GIVEN THIS FINANCIAL YEAR (AND ALMOST EXACTLY WHAT PNG OFFICIALS HAD EARLIER HOPED TO OBTAIN FROM THE LABOR GOVERNMENT AND FAILED).

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 PORT M 00217 02 OF 02 160718Z

7. SOMARE, FOR HIS PART, SAID HE WARMLY WELCOMED THE "NEW AND GENEROUS" LONG TERM AID COMMITMENT BY THE AUSTRALIAN GOVERNMENT AND FOUND IT "FULLY ACCEPTABLE." INDEED, HE INSISTED THAT THE AID PACKAGE WOULD "ENABLE ME TO BRING MY COUNTRY UP TO OUR PHILOSOPHY OF SELF-RELIANCE." HE ADDED THAT A FIVE YEAR PLAN BASED ON THE AID PROGRAM WOULD PROBABLY SEE PNG REACH SELF-RELIANCE IN THE THIRD YEAR. SOMARE SAID HE REGARDED THE NEW AID PROGRAM AS A GESTURE OF GOODWILL FROM THE AUSTRALIAN PEOPLE TO PNG - A SIGN THAT AUSTRALIANS REALISED THAT THEY HAD A COMMITMENT TO THE NEW COUNTRY. SOMARE STRESSED BOTH IN CANBERRA AND PORT MORESBY THAT THE GOVERNMENT WOULD NOT IN ANY WAY RELAX ITS SERIOUS ATTEMPTS TO LIVE WITHIN ITS MEANS IN THE YEARS AHEAD.

8. INCLUDED IN THE ANNOUNCEMENT WAS AN UNDERTAKING BY THE

RESERVE BANK OF AUSTRALIA, UNDER THE NEW ARRANGEMENT, TO PROVIDE K60 MILLION (US\$74.7) STANDBY TO PNG, DOUBLE THE OLD ARRANGEMENT. THE STANDBY AMOUNT IS TO ASSIST THE BANK OF PNG COPE AS NECESSARY WITH POSSIBLE FLUCTUATIONS IN INTERNATIONAL TRADE AND CAPITAL MOVEMENTS. (THE EARLIER STANBY FIGURE WAS NEVER PUBLICALLY ANNOUNCED BY THE GPNG.)

9. COMMENT: THE NEW AID PACKAGE PROVIDES NEEDED RELIEF FROM THE ECONOMIC BAD NEWS WHICH THE COUNTRY HAS HEARD FOR THE PAST TWELVE MONTHS. THE PEOPLE HAVE BEEN REPEATEDLY TOLD IN RECENT MONTHS THAT THE NEXT TWO YEARS WOULD SEE MUCH TIGHTER BUDGETS THAN EARLIER ANTICIPATED AND MANY PROGRAMS WOULD NEED TO BE CURTAILED. WAGES AND SALARIES WOULD ALSO HAVE TO REMAIN FAIRLY STATIC. TIGHT MONEY HAS ALREADY SLOWED A NUMBER OF DEVELOPMENT PROJECTS AND WOULD LIKELY HAVE PREVENTED COMMENCEMENT OF MANY OTHERS. THE FIVE YEAR COMMITMENT AT A GENEROUS LEVEL (DESPITE SOME EROSION DUE TO INFLATION) WILL ENABLE NECESSARY PROGRAMS TO GO FORWARD AND HELP CREATE A POSITIVE CLIMATE AMONG THE BUREAUCRACY. PART OF THE PNG GOVERNMENT'S RESPONSIBILITY WILL BE TO ENSURE THAT THE TIME BOUGHT BY AUSTRALIAN TAXPAYERS FOR THE CONTINUED DEVELOPMENT OF PNG IS NOT WASTED AND IT CAN BE EXPECTED THAT SOMARE AND FINANCE MINISTER CHAN WILL PRESS THIS POINT AT EVERY OPPORTUNITY.

10. POLITICALLY, THE ANNOUNCEMENT STRENGTHENS CONSIDERABLY SOMARE AND THE COALITION GOVERNMENT. IT SHOULD ALSO SERVE AS A REMAINDER TO SEPARATISTS ON BOUGAINVILLE THAT NO MATTER HOW RICH

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 PORT M 00217 02 OF 02 160718Z

THE PANGUNA COPPER MINE THE GOOD WILL AND INTEREST OF THE GOVERNMENT OF AUSTRALIA PROVIDES FAR MORE TO PNG THAN THE MINE REVENUES EVER WILL. GIVEN THE RECENT DOWNTURN IN MINE REVENUE, THAT POINT COMING AT THE PRESENT TIME COULD BE QUITE USEFUL.

END COMMENT.

10. MARCH 12, 1976 AUSTRALIAN DOLLAR AND PNG KINA EQUALS
US\$1.2454.
OLMSTED

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGREEMENTS, FOREIGN ASSISTANCE
Control Number: n/a
Copy: SINGLE
Draft Date: 15 MAR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976PORTM00217
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760098-0455
From: PORT MORESBY
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760360/aaaacauf.tel
Line Count: 211
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: wolfsd
Review Comment: n/a
Review Content Flags:
Review Date: 30 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <30 JUN 2004 by vandyklc>; APPROVED <01 SEP 2004 by wolfsd>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: n/a
TAGS: PFOR, AS, PP, (FRASER, MALCOLM J), (SOMARE, MICHAEL THOMAS)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006